

Yukon Liquor Corporation

Annual Report

Liquor Store
Territorial Agent



April 1, 2007 – March 31, 2008

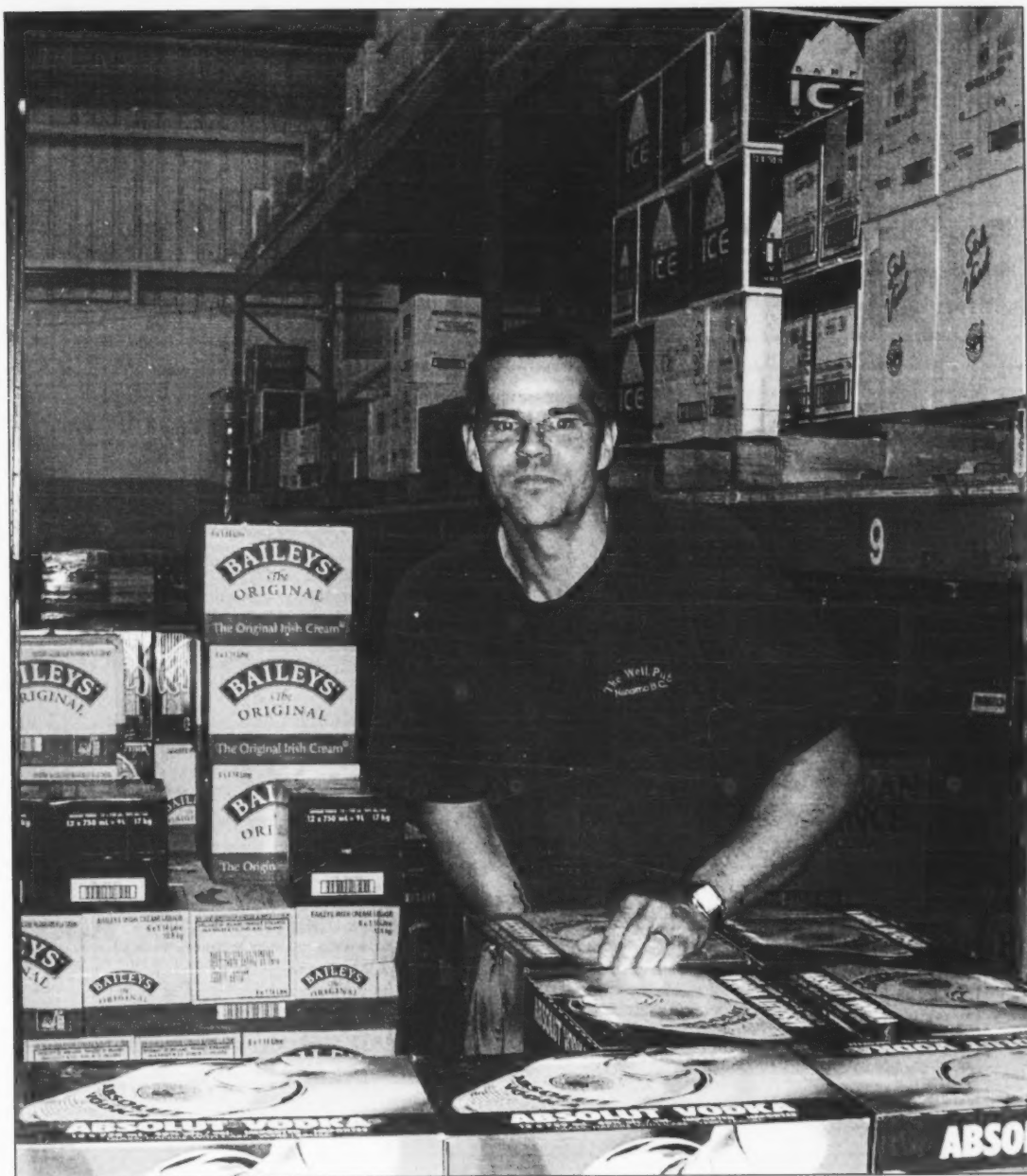




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Photos by Government of Yukon

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Minister's Message



As the new Minister responsible for the Yukon Liquor Corporation, I would like to thank staff for their ongoing work serving Yukon citizens.

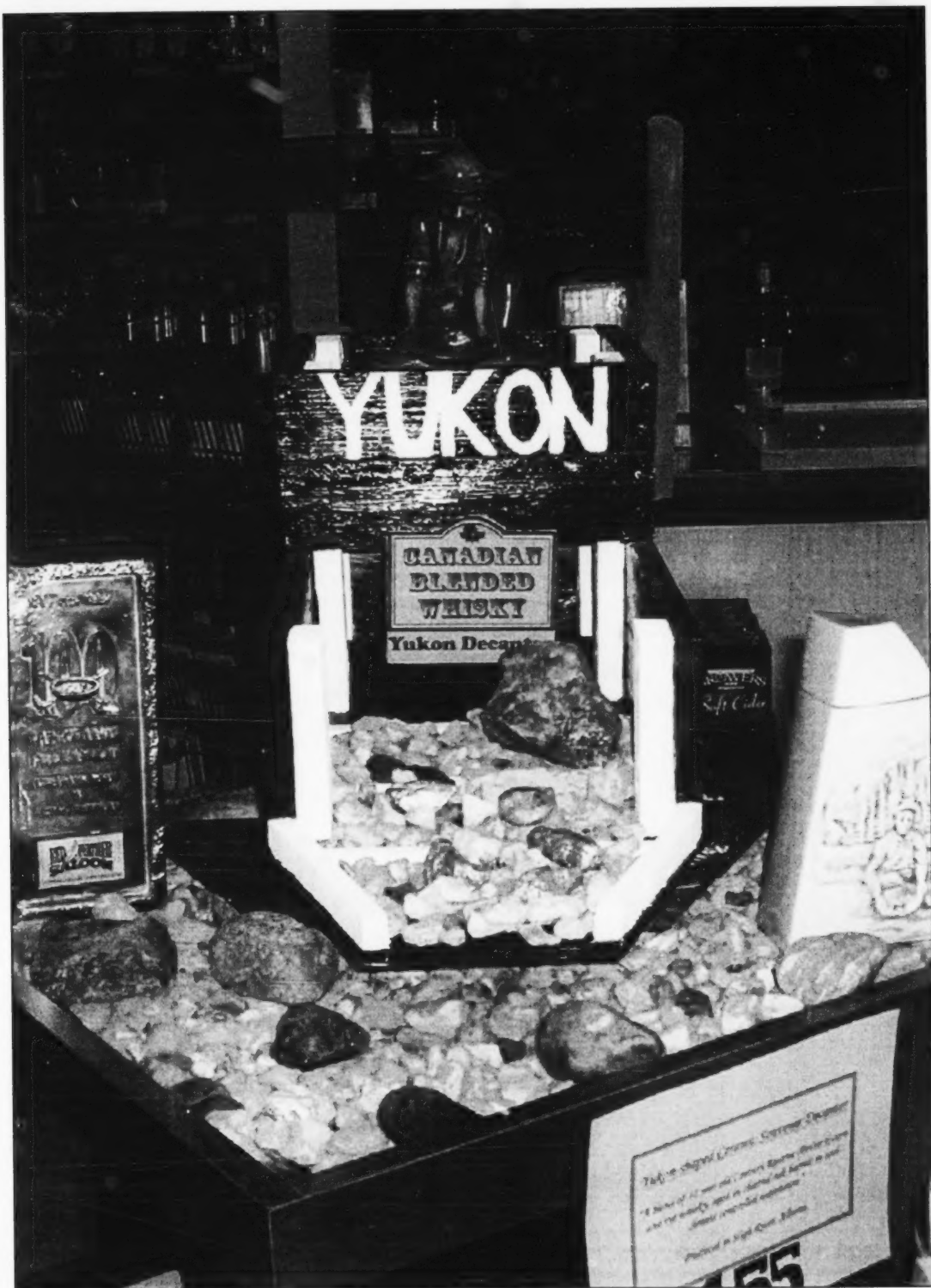
I am also pleased to take this opportunity to commend the Corporation for another strong year. The Corporation's financial contribution to the Government of Yukon supports a variety of government programs that benefit Yukoners.

Thanks also to the Yukon Liquor Board for its ongoing work in licensing, decisions, and appeals over the past year..

A stylized, handwritten signature in dark ink, appearing to read 'Brad'.

Brad Cathers

Minister responsible for the
Yukon Liquor Corporation





Corporate Plan

Our Mandate

Yukon Liquor Corporation is responsible for the purchase, distribution, and sale of liquor products in the Yukon.

Our Vision

Liquor products are enjoyed in a safe, legal, and socially responsible manner.

Our Purpose

- to purchase a range of liquor products and make them available to consumers, and to regulate the sale and consumption of liquor products

Our Values

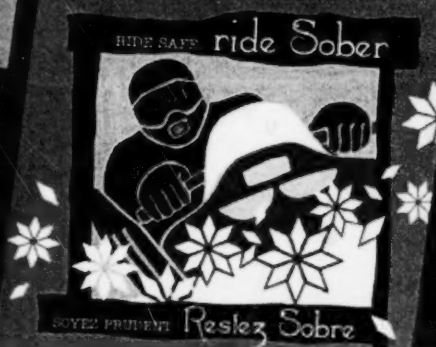
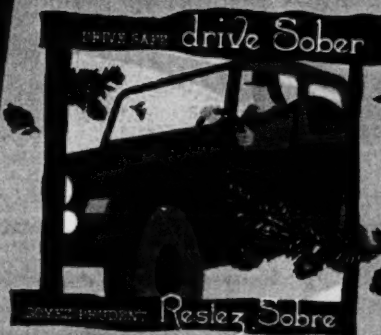
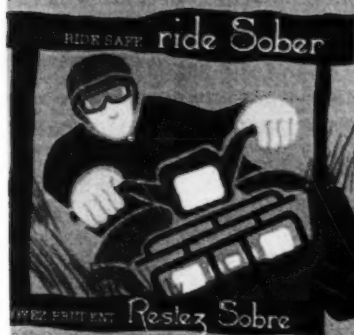
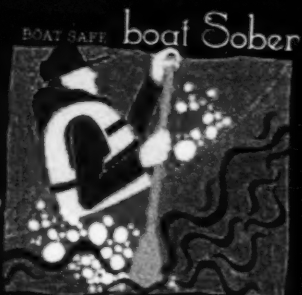
- actively engage staff and customers, supporting and encouraging actions that are fair, responsible, respectful, and consistent
- involve and inform customers and staff in the issues and decisions of the Corporation, using a participative management style
- provide excellent service to customers
- be an environmentally-conscious organization that strives to limit its carbon footprint

Our Strategic Goals

- ensure availability and variety of products to meet customer demand
- regulate the sale and consumption of liquor products, and promote and enforce their legal and socially responsible sale and service
- optimize the net proceeds to government realized from the sale and control of liquor
- provide timely and efficient access to specific government services on behalf of other government departments in rural communities with a liquor store
- support the return and recycling of beverage containers, where necessary



2008 Desktop Calendar



Moderation is always in good taste
La modération a bien meilleur goût



President's Report



Thank you to all Yukon Liquor Corporation staff, licensees and permit-holders for your collaborative effort in encouraging social responsibility in the sale and consumption of liquor products.

Achieving the goal of providing the products customers want, while promoting responsible consumption, is an accomplishment worthy of mention. Your coordinated approach and co-operation deserves full credit for making this possible.

We look forward to providing the tools needed to maintain this goal. Our four-season coaster series, along with our "Good Mix" hosting booklet and 2008 desktop calendar, have been very popular initiatives.

We at the Yukon Liquor Corporation will continue to work with licensees and permit-holders to maintain this successful emphasis on social responsibility.

Thank you again to all staff, and to our clients and partners, for another successful year!

Ron MacMillan
President
Yukon Liquor Corporation





Overview

General

Yukon Liquor Corporation operates a central warehouse and distribution centre in Whitehorse, and six Yukon Liquor Stores. The five rural liquor stores also provide specific Territorial Agent services on behalf of other government departments.

The Corporation transfers all its net income to the Government of Yukon. It is responsible for the *Liquor Act* and *Liquor Regulations*. In addition, the Corporation collects and remits a 12% tax on the retail value of all liquor products sold in the Yukon, as required by the *Liquor Tax Act*. In 07/08, net income and liquor tax transfers to the Government totaled \$9.7 million.

The President of the Yukon Liquor Corporation also manages Lotteries Yukon and provides support to the Yukon Lottery Commission.

Yukon Liquor Board

The Board is responsible for licensing decisions, and for hearing appeals of licence suspensions, barrings, and permit refusals. Administration of the Corporation is the responsibility of the President, directed by the Minister.

Currently, the Board has five members, appointed by Cabinet. The Board meets monthly, with additional meetings scheduled as required. Support to the Board is provided by the Licensing & Social Responsibility and Program Support branches.

Corporation

The Corporation has four branches: Purchasing & Distribution; Retail Sales & Territorial Agent Services; Licensing & Social Responsibility; and Program Support. Yukon Liquor Corporation also accesses shared services from the Department of Community Services in the areas of Human Resources, Finance & Systems, and Policy & Communications.



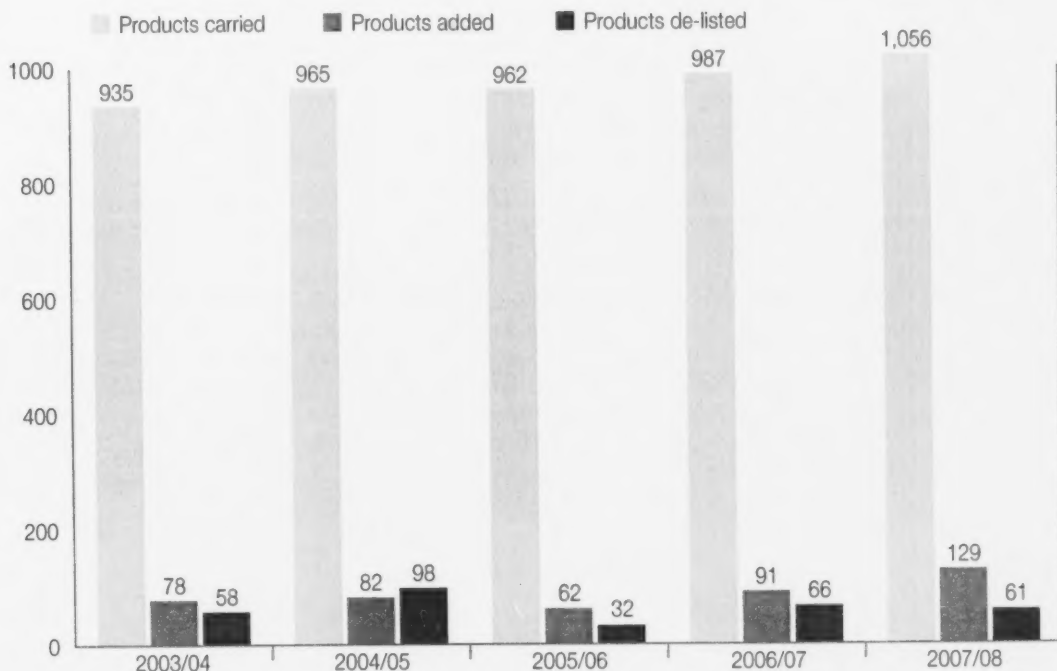
Purchasing & Distribution Branch

This Branch is responsible for the purchasing, inventory management, and distribution of liquor products.

Purchasing & Distribution Branch gathers input from a range of sources, including licensees and other customers, industry, and other jurisdictions, in determining which products to offer for sale in the Yukon, and at what price.

Products are ordered from various locations in Canada. Locally-produced beer is purchased from the Yukon Brewing Company in Whitehorse. All other Canadian-made beer is purchased from breweries in Vancouver. Canadian-made wines and spirits are purchased directly from suppliers in British Columbia, Alberta, Ontario, and Quebec. All imported wine, spirits and beer are purchased from the B.C. Liquor Distribution Branch. This allows the Yukon Liquor Corporation to buy a range of products for our customers, in smaller quantities than might otherwise be possible. The arrangement also allows the Corporation to use the quality control and product expertise of the B.C. Liquor Distribution Branch for a modest administrative fee, reducing the Corporation's overhead.

Orders for all non-Yukon products are consolidated in Vancouver and shipped to the central liquor warehouse in Whitehorse. Staff then distributes orders to licensees and to the six Yukon Liquor Stores. Whitehorse licensees purchase their products directly from the central warehouse, and the Whitehorse store serves primarily individuals. The rural stores serve both the general public and licensees.





Purchasing & Distribution staff work closely with suppliers to develop and implement progressive marketing strategies and merchandising programs for shelf management, merchandise display, and in-store tasting programs, in close co-operation with the Retail Sales & Territorial Agent Services branch.

The annual Rotary Wine Festival once again provided the Yukon Liquor Corporation and wine agents with an opportunity to showcase products and get customer feedback on local taste. As a direct result of the festival, the Yukon Liquor Corporation listed 32 new wines immediately after the festival, with a further 12 added from the festival listings based on strong retail sales in November and December.

Improvements to the warehouse planned for 2007/08 were deferred to 08/09. These improvements will allow the Corporation to continue to expand its product selection in all categories, as requested by customers. The Corporation, working with suppliers, was able to make 37 one-time buys in 07/08, providing customers with an opportunity to try a range of special products.

How do I place a special order?

Contact your local Yukon Liquor Store or Purchasing & Distribution at 867-667-8928 (toll-free 1-800-661-0408, ext. 8928).

The minimum order is one case.

Staff will research the cost, including shipping, and provide an estimated price and expected delivery date to you. YLC needs a 50% deposit of the total estimated cost before placing the order. You can pay with cash or credit/debit card (or other pre-authorized payment arrangements, in the case of licensees).

Special orders take between four and 12 weeks to arrive, based on where they are coming from. Staff will contact you by telephone when your special order arrives, and you can arrange for pick-up and final payment then.



Whitehorse



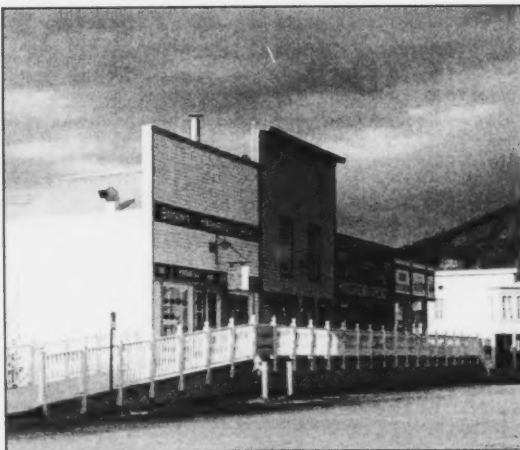
Watson Lake



Faro



Haines Junction



Dawson City



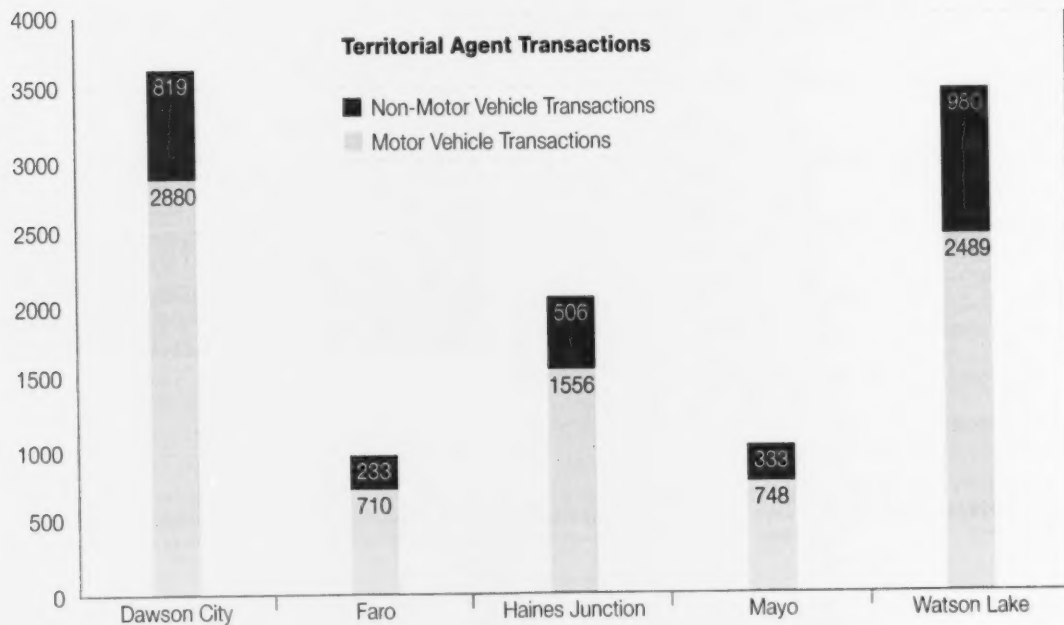
Mayo

Retail Sales & Territorial Agent Services Branch

The Retail Sales & Territorial Agent Services Branch manages the Yukon government liquor stores, and delivers Territorial Agent services in rural communities with liquor stores. The Branch operates six retail liquor stores: Dawson City, Faro, Haines Junction, Mayo, Watson Lake, and Whitehorse. The stores offer a wide assortment of wine, spirits, beer, and coolers.

The retail liquor stores in the rural communities sell products to licensees as well as to individual customers. They also issue special occasion and reception permits, and are open Tuesday to Saturday. The Whitehorse liquor store sells primarily to individual customers, although it will accommodate licensees when necessary, and is open Monday to Saturday.

Rural store Territorial Agents provide specific services on behalf of other Government of Yukon departments, such as issue and renewal of driver licences, fishing licences, motor vehicle registrations, and business licences. They also receive payments on behalf of the government, such as property taxes and court fines.



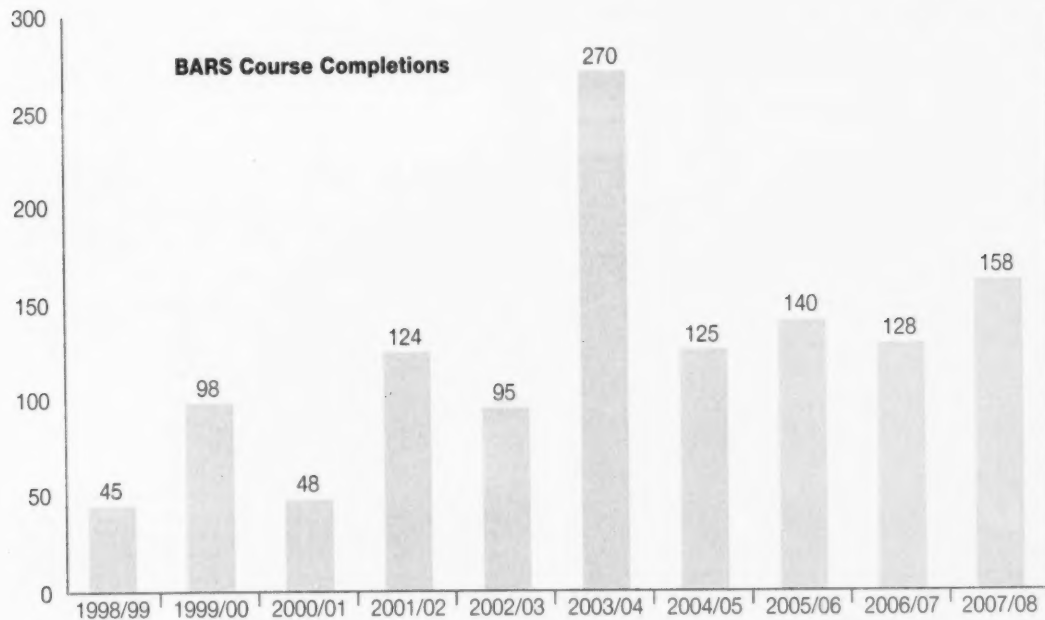
Licensing & Social Responsibility Branch

Working with licensees, permit-holders, liquor consumers, and staff, the branch promotes compliance with the *Liquor Act* and *Regulations* through training, education, inspection, discussion, and enforcement. It partners with other organizations to develop and deliver a variety of campaigns in support of responsible consumption.

The Licensing & Social Responsibility Branch is responsible for liquor licensing and inspection throughout the Yukon. Staff works with applicants for liquor licences and permits to assist them to meet the requirements of the legislation. New licence applications are considered by the Board, and permits and licence renewals are considered by the President.

The branch uses a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act*, *Regulations*, and related policies are being met.

Licensees and their staff are encouraged to participate in various training and information sessions offered by the Branch. For example, the Branch delivers the "Be a Responsible Server" (BARS) course. This is a three-hour server-training program, made available free to participants. Its purpose is to make servers and licensees aware of their legal responsibilities as liquor providers, and to encourage both responsible service and voluntary compliance. It is also available in a self-study format.



The branch staff works to establish and foster constructive working relationships with licensees, permit-holders, and their staff. As part of a systematic approach to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies, Liquor Inspectors maintain a balanced schedule of walk-through and full-premise inspections of licensed establishments and special events to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies. These inspections focus on aspects of both operations and facilities.

This branch is also responsible for developing and implementing social responsibility initiatives, in co-operation with other government departments and community stakeholders. Social Responsibility resources are leveraged through partnerships with other organizations to maximize impact, and a variety of tools are used to reach the identified target audiences. Our broad-based social responsibility program partners with various inter-agency and community groups and other territorial government departments in delivering public education programs and encouraging responsible drinking practices.

The Corporation also organizes advertising campaigns featuring responsible drinking messages. In consultation with industry, we have also made changes to the monthly Licensee Information Bulletin to provide information in a clear and concise manner, to help communicate YLC and industry initiatives, and clarify new or changing policies.

Compliance Framework

Licenses and permit-holders are responsible for:

- Adhering to the *Liquor Act, Regulations*, and related policies
- Training and monitoring staff
- Operating their establishment/event in accordance with the *Liquor Act, Regulations*, and related policies

Yukon Liquor Corporation — Licensing & Social Responsibility is responsible for:

- Providing training, education, and access to related information to licensees and permit-holders
- Establishing and fostering constructive working relationships with licensees, permit-holders, and their staff
- Developing and implementing a system to check that licensees and permit-holders are adhering to the *Liquor Act, Regulations*, and related policies
- Using a combination of training, education, dialogue, inspection, and enforcement to ensure that the provisions of the *Liquor Act, Regulations*, and related policies are being met

Yukon Liquor Corporation continued to support alcohol-free graduation events, by providing donations to all Grade 12 classes throughout the Yukon and a variety of materials using the slogan, "Plan Ahead to Stay Safe", including parent/youth Party Tip brochures. The Corporation again ran the "Grad Chocolates" program adapted from British Columbia. All donations made by the public were provided directly to school graduation committees and the total amount of public donations were matched by Yukon Liquor Corporation in a contribution to MADD.

**Plan ahead to
get home safe.**



Someone is waiting!

*Thanks for being a
responsible driver!*

ARE YOU PLANNING A PARTY?

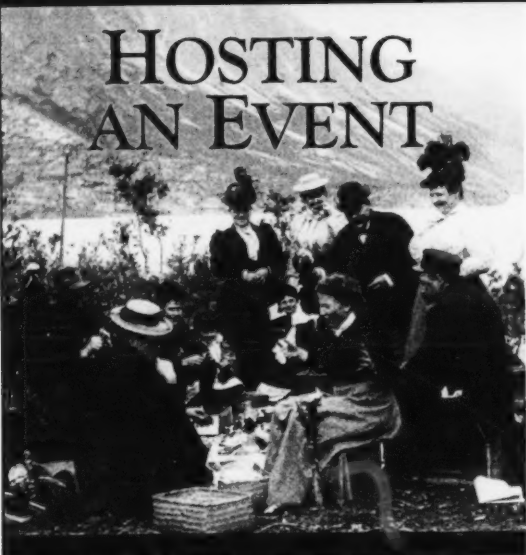
**You'll find some great hosting
tips on the back of this card.**

**For more responsible
entertaining ideas visit**

www.ylc.yk.ca.







**HOSTING
AN EVENT**



Picnic at Lake Bennett, circa 1896. — Yukon Archives, H.C. Barley fonds #4799.

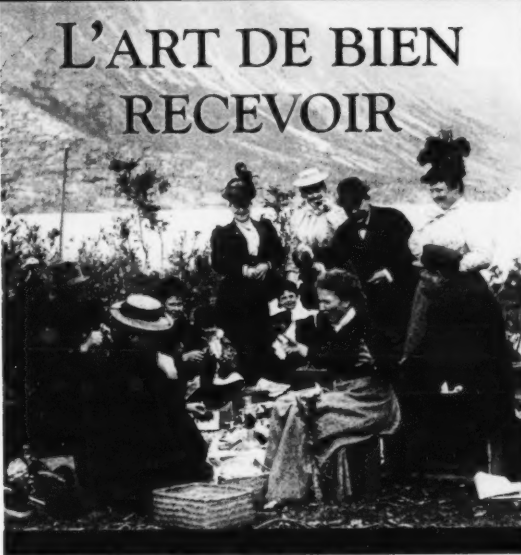
**PERMITS & SERVING
LIQUOR RESPONSIBLY**

There are two kinds of permits — a Reception Permit and a Special Occasion Permit. Make sure you get the right one.

Remember — if your name is on the permit, you are responsible for your event.

Questions? Please contact us — our contact information is on the back of this pamphlet.



**L'ART DE BIEN
RECEVOIR**



Pique-nique au lac Bennett — Archives du Yukon, fonds H.C. Barley n° 4799

**OBTENIR UN PERMIS
ET SERVIR DE L'ALCOOL DE
MANIÈRE RESPONSABLE**

Il existe deux sortes de permis : le permis de réception et le permis de circonstance. Assurez-vous de vous procurer le permis approprié.

Rappelez-vous, si votre nom est inscrit sur le permis, c'est vous qui êtes responsable.

Vous avez des questions? N'hésitez pas à communiquer avec nous. Nos coordonnées se trouvent au verso de cette brochure.

What is a Special Occasion Permit?

A Special Occasion permit allows a non-profit organization to sell liquor at a special event, such as a fund-raiser or festival.

What is a Reception Permit?

A Reception Permit allows an individual, organization, or corporation to serve (not sell) liquor at a special event held in a public place. Examples are wedding receptions, retirement parties, or art gallery show openings.

For more information, see our "Hosting an Event" pamphlet, available at Liquor Stores, Head Office, and at www.ylc.yk.ca.

Program Support Branch

The Program Support Branch provides YLC with a variety of essential support services. The responsibilities and services of this unit include telecommunications, records management, contract administration, administrative and reception functions, and other support services to all branches of the Corporation. This branch also works with Licensing & Social Responsibility to provide Secretariat Services to the Yukon Liquor Board.

Shared Services

Shared Services are provided to Yukon Liquor Corporation by the Policy & Communications, Human Resources, and Finance, Systems & Administration branches of the Department of Community Services. These centralized branches provide corporate services and support for the Department of Community Services, Yukon Liquor Corporation, Yukon Housing Corporation, and Yukon Lottery Commission.

Policy & Communications

The Policy & Communications Branch provides an array of services for the Yukon Liquor Corporation, including support for policy-related issues, research, legislative session support, news releases, communication material and support, and media relations.

Finance, Systems & Administration

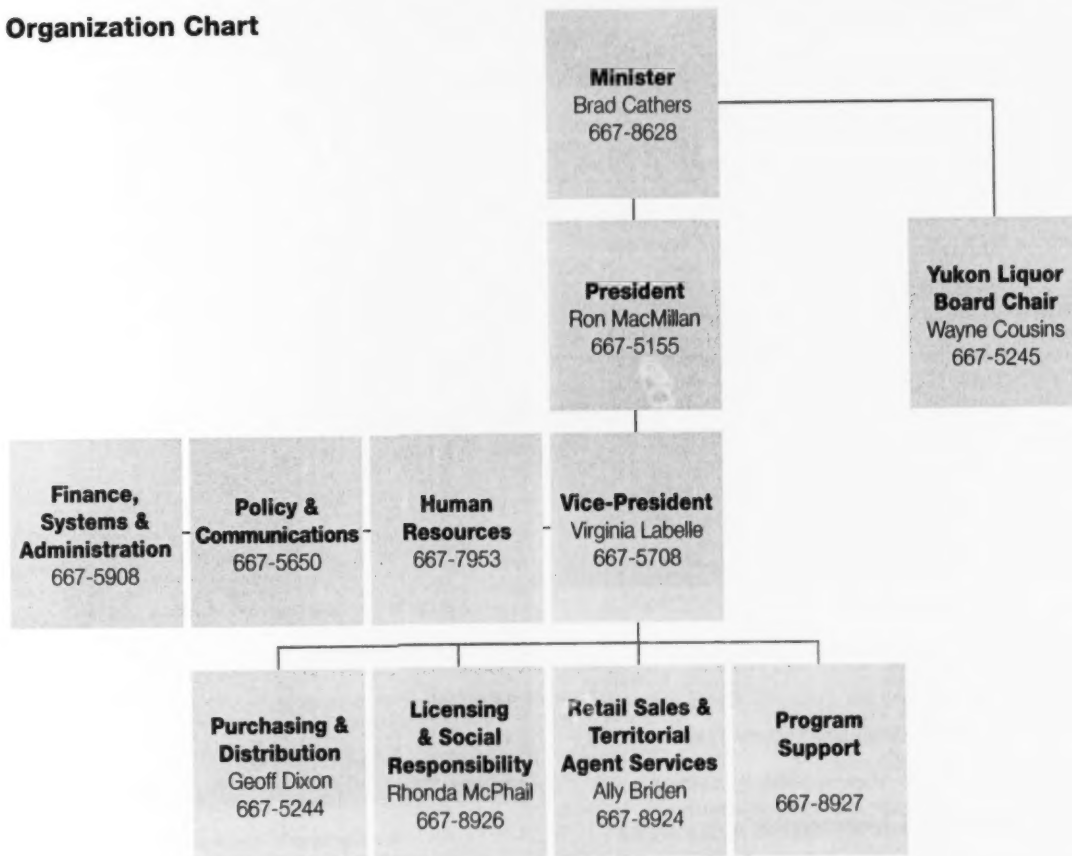
The Finance, Systems & Administration Branch provides financial operation, information systems, and selected other administrative services.

Human Resources

The Human Resources Branch provides a full range of Human Resource services, advice, and support that facilitate the delivery of programs and quality customer services.



Organization Chart



Toll-free within Yukon: 1-800-661-0408





Highlights

Volume of Liquor Sold by Location (Hectolitres)

Location	Spirits	Wine	Beer & Cider	2007/08	2006/07
Central Warehouse	1,093	619	15,217	16,929	16,227
Dawson City	290	316	4,202	4,808	4,495
Faro	126	33	925	1,084	1,058
Haines Junction	110	97	1,563	1,770	1,802
Mayo	83	120	779	982	926
Watson Lake	282	176	2,730	3,188	3,173
Whitehorse	1,993	2,685	13,467	18,145	17,061
Total 2007/08	3,977	4,046	38,883	46,906	
Total 2006/07	3,710	3,904	37,129		44,743

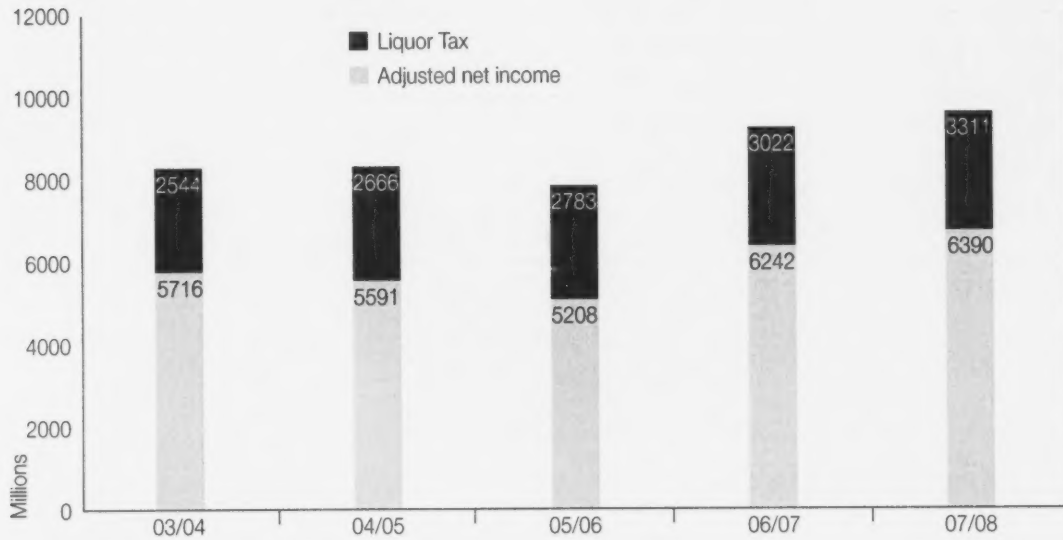
Sales by Location (\$000's)

Location	Spirits	Wine	Beer & Cider	2007/08	2006/07
Central Warehouse	2,113	740	5,541	8,394	7,622
Dawson City	669	363	1,556	2,588	2,296
Faro	275	35	345	655	599
Haines Junction	231	114	567	912	890
Mayo	188	101	283	572	518
Watson Lake	616	169	991	1,776	1,683
Whitehorse	4,408	3,135	5,074	12,617	11,442
Total 2007/08	8,500	4,657	14,357	27,514	
% of Sales	30.9%	16.9%	52.2%	100%	
Total 2006/07	7,570	4,245	13,234		25,049
% of Sales	30.2%	16.9%	52.8%		100%

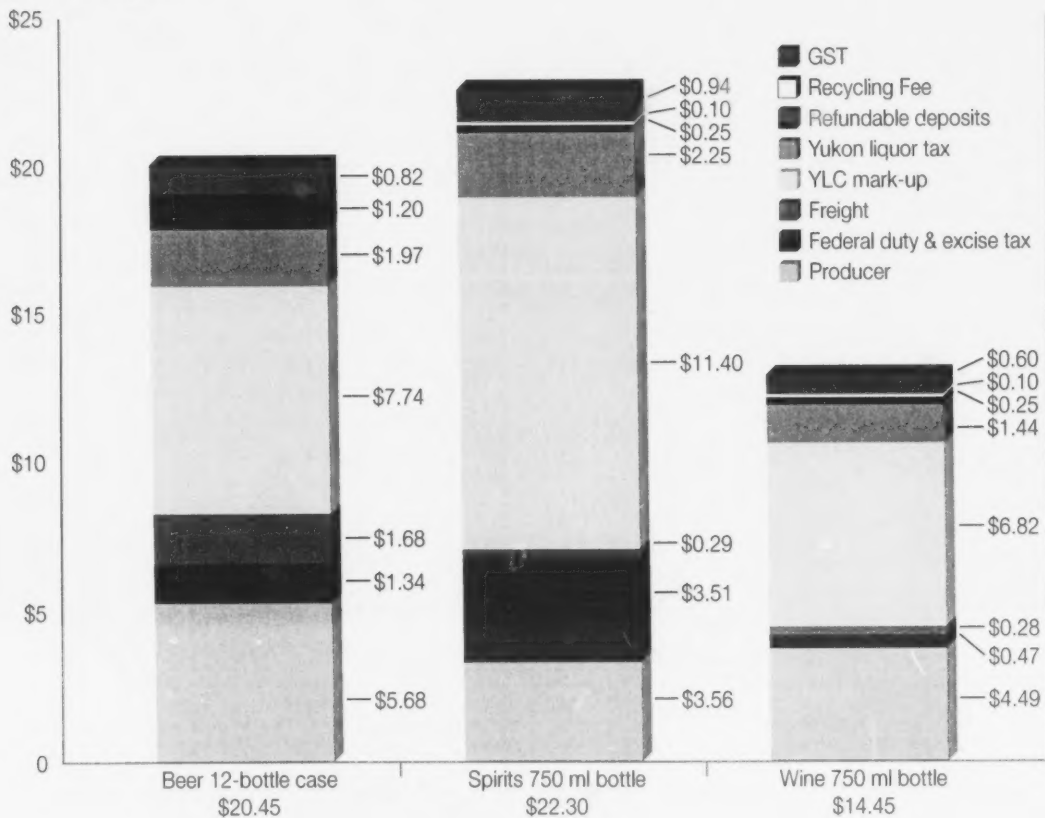


Sales by Product Type		2007/08 \$'000	Total \$'000	% of category	Volume (HL)	% of category
Whiskey	Domestic	1,827				
	Imported	122	1,949	22.9%	732	18.4%
Scotch	Domestic	-				
	Imported	464	464	5.5%	105	2.6%
Rum	Domestic	1,061				
	Imported	65	1,126	13.2%	445	11.2%
Gin	Domestic	92				
	Imported	181	273	3.2%	98	2.5%
Brandy	Domestic	36				
	Imported	92	128	1.5%	41	1.0%
Liqueur	Domestic	386				
	Imported	1,040	1,426	16.8%	475	11.9%
Vodka	Domestic	2,000				
	Imported	219	2,219	26.1%	887	22.3%
Coolers	Domestic	632				
	Imported	64	696	8.2%	1,135	28.5%
Other	Domestic	154				
	Imported	65	219	2.6%	60	1.5%
Total Spirits		8,500	8,500	100%	3,977	100%
Wine	Domestic	1,856				
	Imported	2,771	4,627	99.4%	4,006	99.0%
Wine Coolers	Domestic	9				
	Imported	21	30	0.6%	40	1.0%
Total Wine		4,657	4,657	100%	4,046	100%
Beer	Domestic	12,818				
	Imported	870	13,688	95.3%	37,099	95.4%
Cider	Domestic	653				
	Imported	16	669	4.7%	1,784	4.6%
Total Beer & Cider		14,357	14,357	100%	38,883	100%
Subtotal		27,514	27,514		46,906	
Other Sales Income		63	63			
Grand Total		27,577	27,577		46,906	

Dividend — Annual Transfer to Government of Yukon



Price Analysis

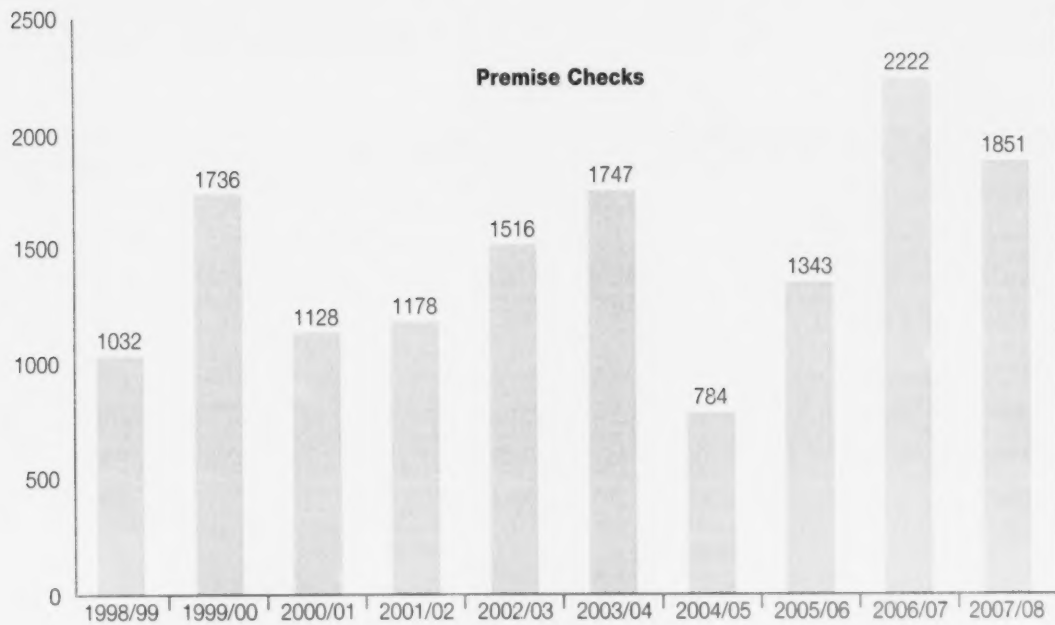
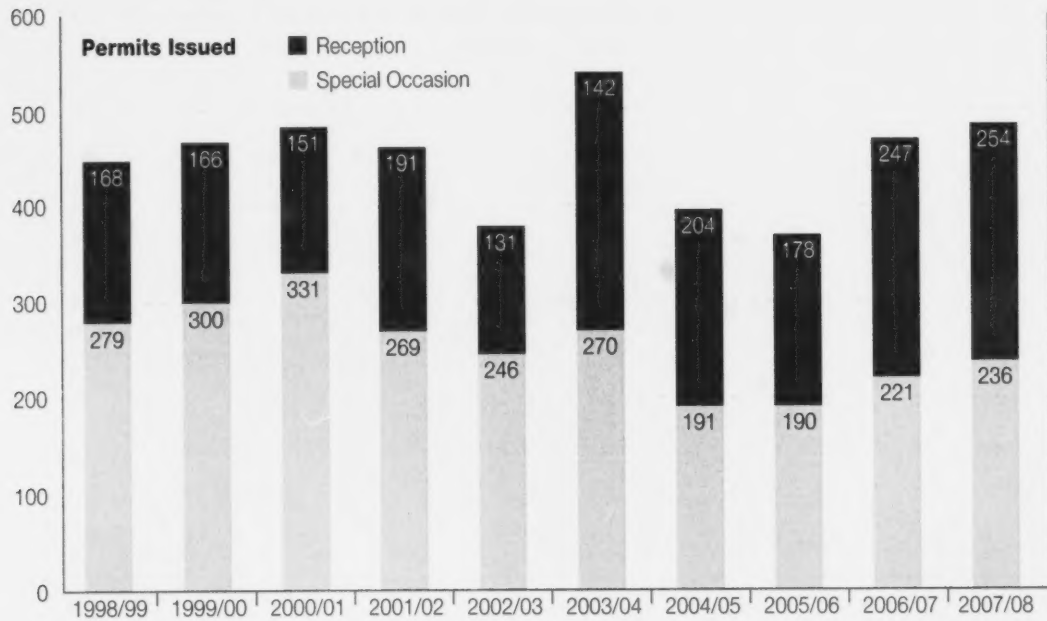


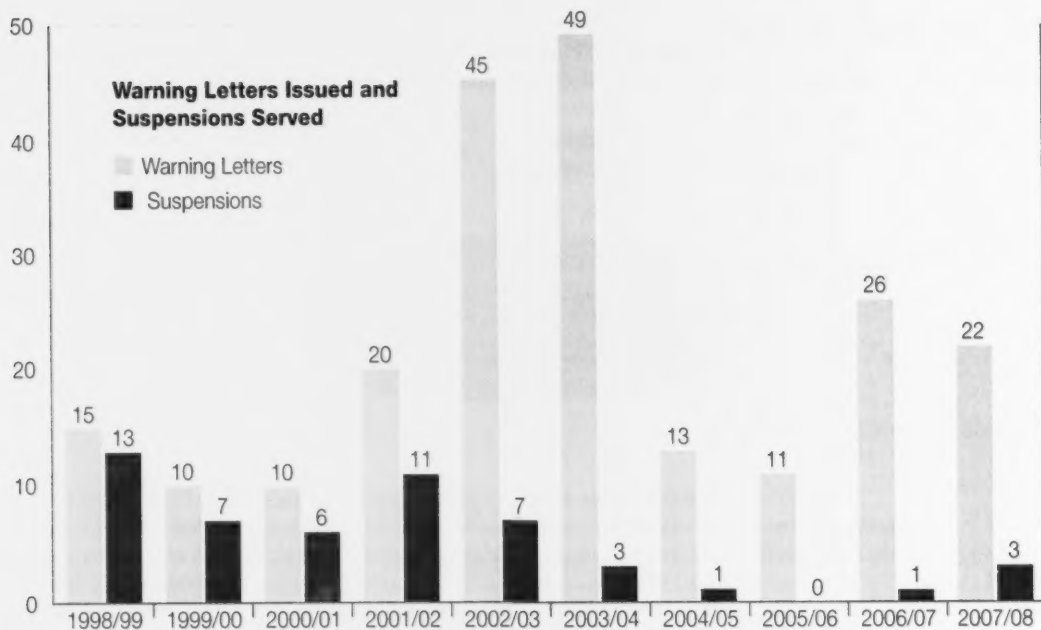
Liquor Licences

Type	2007/08	2006/07	2005/06	2004/05	2003/04
Cocktail Lounge	49	56	51	55	56
Dining Room	51	51	51	57	56
Restaurant	34	45	43	40	41
Liquor Off Premises	51	60	59	64	65
Beer Off Premises	23	25	23	25	25
Club	12	13	10	10	10
Special	34	37	38	33	34
Aircraft/Ship	3	3	3	3	3
Room Service	18	21	21	23	24
Mess	1	1	1	1	1
Sport Stadium	1	1	1	1	1
Recreation Facility	7	7	6	8	8
Brewers	1	1	1	1	1
Brewers Retail	1	1	1	1	1
Total	286	322	309	322	326

Liquor Permits Issued 2007/08

Location	Reception	Special Occasion
Dawson City Store	50	57
Faro Store	0	3
Haines Junction Store	17	23
Mayo Store	3	5
Watson Lake Store	2	18
Whitehorse Office	182	130
Total	254	236





During the 2007/08 fiscal year, 22 letters of warning were issued for offences under the *Liquor Act* and *Liquor Regulations*. There were three suspensions served. Each letter of warning or suspension may include several infractions.

Activity		
Infractions	Warnings	Suspensions
Permitting intoxicated patrons to enter or remain on premises	18	1
Over-serving patrons	12	
Permitting violent, riotous, or disorderly conduct on premises.....	2	1
Selling liquor to intoxicated persons or persons appearing to be intoxicated.....	8	2
Selling and serving liquor outside authorized hours.....	3	1
Permitting minors in the premises.....	1	1
Permitting minors to consume and be in possession of liquor.....	1	
Selling liquor to minors	1	1
Exceeding the maximum seating capacity (overcrowding).....	3	
Allowing patrons to remain in lounge with offsales purchases		1
Allowing patrons to remain in cocktail lounge for more than a period of 30 minutes after liquor service ends.....	3	
Allowing patrons to remain in cocktail lounge after closed to public	1	
Selling/serving liquor without a meal in a dining room/restaurant.....		1
Selling offsales when primary licence not operating.....		1
Operating premises in an unsanitary and unsafe condition.....		1
Not meeting terms and conditions set out in suspension order.....		1

Operating Expenses 2007/08

(Does not include Amortization or services received from Government of Yukon without charge.)

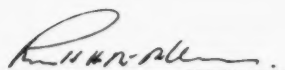


Yukon Liquor Corporation Management's Responsibility for Financial Statements

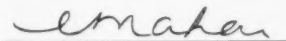
The management of the Yukon Liquor Corporation is responsible for establishing and maintaining a system of books, records, internal controls and management practices designed to provide reasonable assurance that reliable financial information is produced; the assets of the Corporation are safeguarded and controlled; the transactions of the Corporation are in accordance with the relevant legislation, regulations and by-laws of the Corporation; the resources of the Corporation are managed efficiently and economically; and the operations of the Corporation are carried out effectively.

Management is also responsible for the integrity and objectivity of the financial statements of the Corporation. The financial statements as at March 31, 2008, which include amounts based on management's best estimates as determined through experience and judgement, are prepared in accordance with Canadian generally accepted accounting principles.

These financial statements have been independently audited by the Corporation's external auditor, the Auditor General of Canada, and her report is included in this report.



Ron MacMillan
President



Christine Mahar
Director, Shared Services, Finance,
Systems & Admin

June 4, 2008



Auditor General of Canada
Vérificatrice générale du Canada

AUDITOR'S REPORT

To the Minister responsible for the Yukon Liquor Corporation

I have audited the balance sheet of the Yukon Liquor Corporation as at March 31, 2008 and the statements of income, comprehensive income and equity, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the *Liquor Act*, I report that, in my opinion, these principles have been applied, after giving retroactive effect to the change in the method of accounting for financial instruments as explained in Note 2 to the financial statements, on a basis consistent with that of the preceding year.

Further, in my opinion, proper books of account have been kept and the financial statements are in agreement therewith, and the transactions of the Corporation that have come to my notice during my audit of the financial statements have, in all significant respects, been in accordance with the *Liquor Act* and regulations, the *Liquor Tax Act*, the *Financial Administration Act* and the regulations and the by-laws of the Corporation.

Andrew Lennox, CGA, CMA
Assistant Auditor General
for the Auditor General of Canada

Vancouver, Canada
June 4, 2008

Balance Sheet as at March 31, 2008**ASSETS**

	2008	2007
	(in thousands)	
Current		
Cash	\$ 3,104	\$ 1,409
Accounts receivable	77	80
Inventories	2,651	2,138
	<u>5,832</u>	<u>3,627</u>
Property, plant and equipment (Note 4 and 6)	<u>1,822</u>	<u>2,051</u>
	<u>\$ 7,654</u>	<u>\$ 5,678</u>

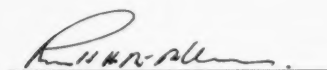
LIABILITIES & EQUITY

Current		
Accounts payable and accrued liabilities	\$ 2,006	\$ 977
Due to the Government of the Yukon (Note 5)	3,016	1,929
Deferred revenue	76	88
	<u>5,098</u>	<u>2,994</u>
Non-pension benefit liability (Note 8)	<u>734</u>	<u>633</u>
	<u>5,832</u>	<u>3,627</u>
Equity (Note 6)	<u>1,822</u>	<u>2,051</u>
	<u>\$ 7,654</u>	<u>\$ 5,678</u>

Commitments and contingencies (Note 9)

The accompanying notes are an integral part of the financial statements.

Approved by Management:



President



Director, Shared Services, Finance, Systems & Admin

Statement of Income and Equity for the year ended March 31, 2008

	2008	2007
	(in thousands)	
Sales		
Beer	\$ 14,357	\$ 13,234
Spirits	8,497	7,571
Wine	4,721	4,315
	<u>27,575</u>	<u>25,120</u>
Cost of goods sold	<u>14,026</u>	<u>12,577</u>
Gross profit	<u>13,549</u>	<u>12,543</u>
Expenses		
Salaries and benefits	3,720	3,364
Rent, utilities and maintenance	1,612	1,445
Shared corporate services costs (note 7d)	978	898
Services provided to Government of Yukon without charge (note 7c)	474	452
Amortization	438	394
Bank expenses	272	252
General and office supplies	206	160
Travel and communications	186	222
Other	178	110
	<u>8,064</u>	<u>7,297</u>
Operating income	<u>5,485</u>	<u>5,246</u>
Other income		
Fees, permits and licences	112	112
Miscellaneous	7	10
Services received from Government of Yukon without charge (note 7c)	557	551
	<u>676</u>	<u>673</u>
Net Income and comprehensive income (note 4 and 6)	\$ 6,161	\$ 5,919
Equity, beginning of year	\$ 2,051	\$ 2,374
Funds repayable to Government of Yukon	(6,161)	(5,919)
Add: property, plant and equipment additions	209	71
Less: amortization	(438)	(394)
Equity, end of year (note 6)	<u>\$ 1,822</u>	<u>\$ 2,051</u>

The accompanying notes are an integral part of the financial statements.

Statement of Cash Flows for the year ended March 31, 2008

	2008	2007
	(in thousands)	
Operating activities		
Cash receipts:		
Sales - spirits, wine and beer	\$ 27,575	\$ 25,119
Annual licence fees and other	110	98
Cash disbursements:		
Purchases	(14,539)	(12,387)
Salary, wages and benefits	(4,120)	(3,759)
General and administrative expenses	(1,329)	(3,214)
Net cash available from operating activities	<u>7,697</u>	<u>5,857</u>
Investing activities		
Cash disbursements:		
Acquisition of property, plant and equipment	(209)	(71)
Net cash used in investing activities	<u>(209)</u>	<u>(71)</u>
Financing activities		
Cash disbursements:		
Remittance of income to the Government of Yukon	(5,793)	(5,041)
Net cash used in financing activities	<u>(5,793)</u>	<u>(5,041)</u>
Increase in cash for the year	<u>1,695</u>	<u>745</u>
Cash, beginning of year	<u>1,409</u>	<u>664</u>
Cash, end of year	<u>\$ 3,104</u>	<u>\$ 1,409</u>

The accompanying notes are an integral part of the financial statements.

Notes to the Financial Statements

March 31, 2008

1. Authority and Operations

The Corporation, established in 1977 under the *Liquor Act*, is responsible for the purchase, distribution and sale of liquor within the Yukon. It is responsible for controlling the sale of liquor through licensed outlets and enforcing all matters related to the *Act*.

In accordance with the *Liquor Act*, the net income for the year, before amortization, less amounts expended on property, plant and equipment, is remitted to the Government of the Yukon on a monthly basis.

The Corporation is required by the *Liquor Tax Act* to collect liquor taxes on behalf of the Government of the Yukon and to remit these taxes on a monthly basis. The current rate is 12%, and is applied to all selling prices.

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund on a monthly basis after deducting deposit refunds paid and fees earned under the program.

As a territorial corporation of the Yukon Government, the Corporation is exempt from income taxes under Section 149(1)(d) of the *Canadian Income Tax Act*.

2. Change in Accounting Policy

Effective April 1, 2007, the Corporation adopted the Canadian Institute of Chartered Accountants' new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards. CICA 3855 Financial Instruments – Recognition and Measurement established standards for recognizing and measuring financial assets, financial liabilities and derivatives. CICA 3861 Financial Instruments Disclosures and Presentation discusses the presentation and disclosure of these items. CICA 1530 Comprehensive Income introduces Comprehensive Income which consists of Net income and Other Comprehensive Income. Other comprehensive income represents the change in net assets during the period arising from transactions and other events with non-owner sources and includes unrealized gains and losses on financial assets classified as available-for-sale.

These sections were adopted prospectively without prior period restatement.

Upon adoption of Section 3855, the Corporation continues to measure its loans and receivables and other financial liabilities at their amortized costs. Accounts receivable, accounts payable and accrued liabilities and the amount due to the Government of the Yukon are incurred in the normal course of business. All are due on demand and are non-interest bearing. The carrying amounts of each approximate fair values because of their short maturity.

Fair Values of Financial Instruments

The Corporation's financial instruments consist of Cash, Accounts Receivable, Accounts Payable and Due to the Government of Yukon. In the prior year, these financial instruments were carried at cost. In the current year, with the adoption of the financial instruments reporting standards (Note 3) these financial instruments are accounted for as follows:

Held-for-trading

The Corporation has designated the following financial asset on initial recognition as held-for-trading: Cash. This instrument is recognized at its fair value.

2. Change in Accounting Policy (continued)**Loans and receivables**

The Corporation has classified the following financial asset as loans and receivables: Accounts Receivable. This instrument is initially recognized at its fair value. Fair value is approximated by the instruments initial cost in a transaction between unrelated parties. Loans and receivables are subsequently measured at its amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the loan or receivable is settled or upon impairment.

Other financial liabilities

The Corporation has classified the following financial liabilities as other financial liabilities: Accounts Payable and Due to the Government of Yukon. These instruments are initially recognized at their fair value.

Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Other financial liabilities are subsequently measured at their amortized cost, using the effective interest method. Gains and losses arising from changes in fair value are recognized in net income when the liability has been settled or upon impairment.

3. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

Inventories

Inventories are comprised of alcoholic beverages for resale and are valued at the lower of landed cost at Whitehorse, or market as per Section 3030 of the CICA handbook.

Revenue recognition

Revenue is recognized when the sale of products is made to customers.

Expense recognition

Expenses are recognized as incurred, on an accrual basis, in the period to which they relate.

Amortization

Amortization of property, plant and equipment owned by the Corporation is calculated on a straight-line basis and is based on the estimated useful lives of the assets as follows:

Buildings	20 years
Furniture and office equipment	5 years
Equipment	5 years
Systems equipment and software	5 years
Leasehold improvements	4 years or remaining term of lease

Employee future benefits**Non-pension benefits**

Under the conditions of employment, employees may qualify and earn employment benefits for vacation, sick, compensatory and personal leave, travel bonus, and severance benefits. The benefit obligation was determined on an actuarial basis. The costs of these benefits are accrued as employees render the services required to earn them. The obligation for vacation leave, sick leave, and severance benefits were calculated using the projected benefit method pro-rated on service. The remainder was calculated assuming all employees would receive the benefits on valuation date.

3. Accounting Policies (continued)

Pension benefits

All eligible employees participate in the Public Service Pension Plan administered by the Government of Canada. The Corporation's contribution to the Plan reflects the full cost of the employer contributions. This amount is currently based on a multiple of the employee's required contributions, and may change from time to time depending on the experience of the Plan. These contributions represent the total pension obligations of the Corporation and are expensed during the year in which the services are rendered. The Corporation is not currently required to make contributions with respect to any actuarial deficiencies of the Public Service Pension Plan.

Services provided without charge

The Corporation records in the Statement of Income, Comprehensive Income and Equity services it receives or provides without charge to the Government of Yukon in the normal course of operations, at carrying amount. These services include the following:

- services, primarily accommodation, provided by the Government of the Yukon;
- services provided by the Corporation to the Government in its capacity of Territorial Agent in localities outside of Whitehorse.

Use of estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting year. Estimates are used when accounting for matters such as amortization and non-pension benefit liability. Actual results could differ materially from these estimates.

Future Accounting Policies – Financial Instrument Disclosures and Capital Disclosures

As of April 1, 2008, the Corporation will be required to adopt Section 1535, Capital Disclosures, Section 3862, Financial Instruments – Disclosures, Section 3863, Financial Instruments – Presentation, and Section 3031, Inventories. For Section 1535, the Corporation will need to disclose information regarding its objectives, policies and processes for managing capital. For Sections 3862 and 3863, the Corporation is not expecting any significant impacts on its financial statement disclosure because it does not hold complex financial instruments. For Section 3031, the Corporation will need to disclose additional information on its inventories regarding accounting policies used, carrying amounts, amounts recognized as expenses, write-downs, and the amount of any reversal of any write-downs recognized as a reduction in expenses.

4. Property, Plant and Equipment

Property, plant and equipment purchased by the Corporation after March 31, 1990 are as follows:

	2008		2007	
	Cost	Accumulated Amortization	Net book Value	Net book Value
	(in thousands)			
Land	\$ 202	\$ -	\$ 202	\$ 202
Buildings	4,790	3,636	1,154	1,377
Furniture and office equipment	116	87	29	7
Equipment	375	322	53	44
Systems equipment and software	688	327	361	341
Leasehold improvements	357	334	23	80
	<u>\$ 6,528</u>	<u>\$ 4,706</u>	<u>\$ 1,822</u>	<u>\$ 2,051</u>

5. Due to the Government of the Yukon

	2008	2007
	(in thousands)	
Reimbursements due for salaries to employees, shared services costs, and other costs paid on behalf of the Corporation (Note 7d)	598	368
Adjusted net income (Note 7a)	1,890	1,293
Liquor tax (Note 7b)	455	198
Net remittances due to the Recycling Fund	<u>73</u>	<u>70</u>
Net due at the end of the year	<u>\$ 3,016</u>	<u>\$ 1,929</u>

In accordance with the provisions of the *Beverage Container Regulations* under the *Environment Act*, the Corporation collects various beverage container deposits and recycling surcharges on the sale of its products. These amounts are remitted to the Recycling Fund payable to the Government of Yukon on a monthly basis after deducting deposit refunds paid and fees earned under the program.

6. Equity

This amount represents the sum of the net book value of property, plant and equipment purchased by the Corporation after March 31, 1990, \$1,822,000 (2007 - \$2,051,000) which the Government of the Yukon has provided to the Yukon Liquor Corporation. The annual change in equity represents additions and disposals of property, plant and equipment less amortization expense for the year.

7. Related party transactions**a) Adjusted Net Income**

Calculation of adjusted net income due to the Government of the Yukon for the year (Note 1):

	2008	2007
	(in thousands)	
Balance due remitted in advance at the beginning of the year	\$ 1,293	\$ 92
Net income	6,161	5,919
Capital expenditures	(209)	(71)
Property, plant and equipment amortization	438	394
Disposal of land	-	-
Adjusted net income due to the Government of the Yukon	6,390	6,242
Less: remitted during the year	(5,793)	(5,041)
Balance due at the end of the year	<u>\$ 1,890</u>	<u>\$ 1,293</u>

b) Liquor tax

Liquor tax collected and due to the Government of the Yukon for the year (Note 1):

	2008	2007
	(in thousands)	
Balance due at the beginning of the year	\$ 198	\$ 23
Liquor tax collected during the year	3,311	3,022
Less: remitted during the year	(3,054)	(2,847)
Balance due at the end of the year	<u>\$ 455</u>	<u>\$ 198</u>

c) Other transactions

The value of services provided without charge by the Government of the Yukon to the Corporation is estimated to be \$557,464 (2007 - \$551,357). The value of services provided without charge by the Corporation to the Government is estimated to be \$474,454 (2007 - \$452,201). These transactions are included in the financial statements of the Corporation.

The employees of the Corporation are paid by the Government of the Yukon. The Corporation reimburses the Government on a monthly basis for salaries and benefits expenses paid.

The Corporation recognizes services received from and provided to the Government of Yukon at carrying amount. Recording the value of services provided without charge both by and to the Government recognizes and discloses the full cost of operations of the Corporation.

There is no effect on the 2008 net operating results of the Corporation as a result of this policy. However, individual financial statement items are affected as follows:

7. Related party transactions (continued)

	2008	2007
Other income – Government of Yukon – services provided without charge: increased	\$ (557,464)	\$ (551,357)
Other income – Less: services provided to Government of Yukon without charge: decreased	474,454	452,201
Expenses – Salaries and benefits: decreased	(416,419)	(394,414)
Expenses – Rent, utilities and maintenance: increased	488,616	483,079
Expenses – Travel and communications: decreased	(4,167)	(4,403)
Expenses – General and office supplies: increased	14,980	14,894
Total	\$ 0	\$ 0

d) Shared Services costs

The Corporation is part of a Shared Services arrangement with two other government organizations which consolidates functions such as finance and administration, policy and human resources services. The amount charged by the Government of the Yukon to the Corporation for shared services for the year was \$977,892 (2007 - \$897,607). These transactions are in the normal course of operations and are measured at the carrying amount, which is the amount of consideration established and agreed to by the related parties.

8. Employee future benefits**Pension Plan**

The Corporation and all eligible employees contribute to the Public Service Pension Plan. This pension plan provides benefits based on years of service and average earnings at retirement. The benefits are fully indexed to the increase in the Consumer Price Index. Contributions during the year were as follows:

	2008	2007
	(in thousands)	
Corporation's Contributions	\$304	\$264
Employees' Contributions	150	124

Non-pension benefits

The Corporation provides non-pension benefits to its employees based on years of service and final salary. This benefit plan is not pre-funded and thus has no assets, resulting in a plan deficit equal to the accrued benefit obligation. Extended health care and insurance plan employee future benefit liabilities are paid by and accrued in the financial statements of the Government of Yukon. The results measured at the balance sheet date are summarized as follows:

	2008	2007
	(in thousands)	
Accrued benefit obligation, beginning of year	\$773	\$698
Cost for the year	117	142
Benefits paid during the year	(9)	(67)
Accrued benefit obligation, end of year	\$881	\$773
Short-term portion (vacation)	\$147	\$139
Long-term portion	734	634
	<u>\$881</u>	<u>\$773</u>

8. Employee future benefits (continued)

The significant actuarial assumptions were:

Discount rate	5.75%
Salary escalation rate	1.20% June 1, 07
	1.80% Jan 1, 08
	1.20% June 1, 08
	1.80% Jan 1, 09
	1.20% June 1, 09
	2.5% per annum thereafter

The most recent actuarial valuation made for this non-pension benefit plan was of April 1, 2007. The next required valuation would be as of March 31, 2010.

9. Commitments and contingencies

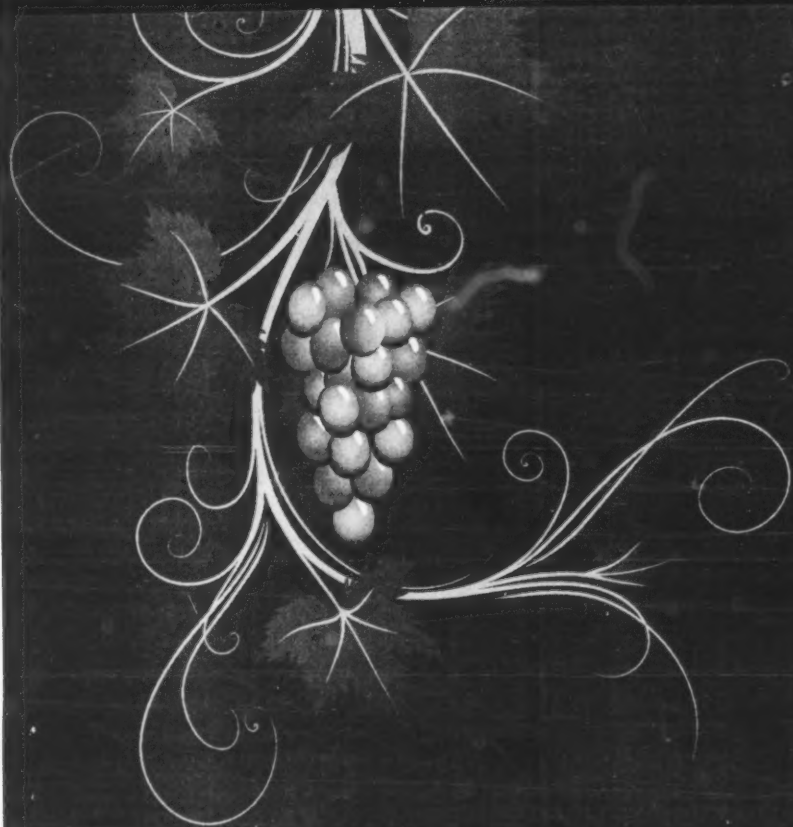
The Corporation has the following operating leases with commitments for annual rents of leased premises due as follows:

<u>Fiscal</u>	<u>Whitehorse Store</u>	<u>Other Retail Stores</u>	<u>Total</u>
2009	235,093	134,727	369,820
2010	235,093	134,727	369,820
2011	235,093	134,727	369,820
2012	19,591	68,775	88,366
2013		51,581	51,581
Total	\$ 724,870	\$ 524,537	\$ 1,249,407

The Corporation's buildings are self-insured with the Government of Yukon.

In the normal course of operations, the Corporation is subject to legal claims and possible claims and no provision for any claim is included in these financial statements.





Yukon
Liquor Corporation

